

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION LOCAL GOVERNMENT FUNDING SELECT

Call to Order: By **CHAIRMAN BOB STORY**, on March 8, 2001 at 5:10 P.M., in Room 137 Capitol.

ROLL CALL

Members Present:

Rep. Bob Story, Chairman (R)
Rep. Gary Branae (D)
Rep. John Esp (R)
Rep. Jeff Mangan (D)
Rep. Ken Peterson (R)
Rep. Karl Waitschies (R)
Rep. David Wanzenried (D)

Members Excused: Rep. Eileen Carney (D)

Members Absent: None.

Staff Present: Eddye McClure, Legislative Branch
Greg Petesch, Director of the Legal Legislative
Council
Jenni Stockman, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted:
Executive Action:

HEARING ON HB 124

Rep. Story opened by stating that this would be the last meeting, so they needed to get everything accomplished tonight.

Alec Hanson, League of Cities and Towns said they had a meeting today about HB 124 and had reached an agreement.

John Laughton, City Manager of Great Falls explained the areas of agreement. They would like to see the gambling, motor vehicle, financial institute and alcohol left in the bill. They wanted to see the growth factor calculated at 70% of the 4 year average which would give them 3% for those 4 years. They were okay with the adjusting of the formula to produce the growth factor to 2.3%. Their objection to the distribution of the growth portion was that they would not receive the benefits of the growth, so they recommended a compromise. They thought the growth should be distributed on 50% based on population and 50% added to the base year allocation, rather than the whole 100% to the base year allocation. They supported the amendment to take care of the tax increment districts for reimbursement and the amendment that the bill would take care of the evaluation of the expired tax increment districts the same as the taxable property.

Rep. Mangan said he had sat in on the education meeting and found they still had the concerns of the termination date and the growth.

Bob Vogal, Montana School Association mentioned that no agreement had been reached, but they had agreed with Rep. Mangan's amendment, especially in regards to the sunset date.

They then went over the various amendments.

Amendment 1 **EXHIBIT(1fh53a01)** would put the vehicle fees back to what they are currently.

Rep. Wanzenried moved the amendment.

Rep. Peterson wondered if the motorcycle fees were included.

Rep. Story told him they were.

Rep. Mangan wondered what the financial difference would be.

Judy Paynter, Department of Revenue said changing the fees generated around \$1.4 million which put them at a 1.5% growth. By leaving the fees as they were currently would be a decrease of \$2.9 million.

Rep. Mangan wondered why they were going to move this amendment if they were going to lose so much money.

Rep. Story said the Governor's Budget Office would not support this bill unless the fees were dropped.

Rep. Peterson wondered who would have to pay now with that \$1.4 million gone.

Rep. Story explained they would just have to pick the money up elsewhere.

The amendment passed with 2 opposing votes, **Rep. Waitschies** and **Rep. Mangan**.

Amendment 2 **EXHIBIT(1fh53a02)** would eliminate the payments of the financial institute tax for this year. It would repeal the requirement for the distribution of that financial institution licence tax effective immediately.

Judy Paynter explained the reason for this was that they did not want it to be reduced by the financial institute amount, because growth would go on top of that, so you would want the entitlement amount to be what it was intended to be. This was just a cleaner way with the same effect as the accrual way. Under the current law, if the money was taken out of the 1st entitlement payment in fiscal year 2002, it would be added to 2003.

Rep. Mangan EXHIBIT(1fh53a03) asked why the difference in the accrual amount was there and what it effected.

Judy Paynter explained it had the same effect as the gaming revenue. The sheet they had received Tuesday had the same effect as this one, but the implication was much cleaner.

Rep. Story moved amendment and it was adopted unanimously.

Amendment 3 **EXHIBIT(1fh53a04)** provides the same reimbursement to TIF's that had been adopted in the Tuesday meeting for the fiscal years 2002 and 2003. This amount would be reduced by half in fiscal years 2004 and 2005 and after that it would be eliminated all together.

Rep. Esp moved the amendment and it passed unanimously.

Amendment 4 **EXHIBIT(1fh53a05)** deducted the net increases in the district court funding and public assistance funding. It provides the increase costs of the state and nets out those payments.

Rep. Story wondered how this fit with the last chart.

Judy Paynter said on the state funded district courts the \$21 million was offset by the 10% motor vehicle for district court

and by the district court fees. They would have to net out to be equal.

Gordon Morris remembered that the amendment would cap those dollars in the terms of fiscal year 2001 monies. He read the chart to say that those monies would continue to grow, and there was also the assumption that the motor vehicle money would grow as well. The district court fees are shown as staying constant. The result would be the costs going up and would drive down the counties entitlement year after year.

Judy Paynter said that would not happen here. These were shown with 2001 as the base year to show the final impact.

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She said they would adjust in the base year and they would get their entitlement payment and would then be divorced from the welfare and district court costs.

Rep. Story said the amendment fit in the year with the base amount so it was a one time calculation. The figures on the chart just show what happens with the exposure of the general fund.

Rep. Mangan moved the amendment and it was adopted unanimously.

Amendment 5 **EXHIBIT(1fh53a06)** retains the requirement that the calculation of the amount of the DNRC pilt, currently included in the entitlement share, be continued.

Rep. Story moved the amendment.

Rep. Waitschies asked if the 40% was taken out for schools by the commissioners.

Greg Petesch told him it has always been taken out, and the schools get their portion through the block grant.

Judy Paynter asked if it would still be counted as a whole, even though the schools got the 40% and the counties got the other portion. **Greg Petesch** said that was how it would be done.

Amendment 5 was adopted unanimously.

Amendment 6 **EXHIBIT(1fh53a07)** provides calculation of Colstrip, the only town that was not in existence when this system was created. They would get their entitlement share amount calculated as is they were getting the full reimbursement for the

property tax reduction under the 3 bills that are included in the entitlement share in fiscal year 2000. This treats them as if they have always been in existence and they would receive the full reimbursement amount.

Rep. Wanzenried moved the amendment.

Rep. Story wanted to know how much money this involved.

Brad Simshaw, Department of Revenue said included in this number was the SB 184 reimbursement of \$500,000. This amendment would give them \$800,000 and would put them at what they have, not what they think they have.

Judy Paynter said there was 2 ways that this could go. The first was that they could go back and look at what the people would get under SB 184 if Colstrip had been in the pool. Colstrip would end up with about \$800,000, the road fund in Rosebud county would have \$150,000 less, and the other jurisdictions would have to be reduced to \$300,000 so it could be given to Colstrip. The second thing they could do is they could put in an additional \$300,000 just for Colstrip. This would mean they would have to put an additional \$150,000 that would have come from the road fund.

Rep. Story opposed this because Colstrip came in after the decision was made and they were not entitled to a reimbursement. Without this amendment in the bill, Colstrip will continue to get money, but with it in the bill, everyone else loses.

Rep. Wanzenried withdrew the amendment.

Amendment 7 **EXHIBIT(1fh53a08)** discusses two issues. 1) making sure the sunset provision was not in the bill and 2) whether or not the growth rate should be the same percentage as what is in the bill.

Rep. Story had a few reasons he opposed the growth rate. 1) If the growth rate was put into the bill for school, it could only be done by taking out growth rate from the cities and counties 2) Under the current law, the school's reimbursement declines, whereas under HB 124 there is no decline, they are held the same. 3) The county retirement and transportation are county funds that are used to fund the county part of those. The retirement fund adjusts the account because it spreads out the tax, rather than putting it all in one district.

Alec Hanson wondered what the growth rate for the cities entitlement would be if the amendment passed. **Rep. Story** gave a rough estimate of 2.5 million.

Mike Kadas, Mayor of Great Falls, said even if this was done, the schools did not have the authority to use the money.

Madalyn Quinlan, Office of Public Instruction, said the biggest concern for the schools was that if the termination for the block grants was not gotten rid of, it would create a huge hole in the funding. This, in the future years, would make the school funding seem bigger then it actually was and it would increase taxes.

The amendment failed on a 3 to 5 vote.

Amendment 8 **EXHIBIT(1fh53a09)** added the growth factor from in the bill. Only the schools were addressed with this amendment.

Rep. Story said it would create a problem with the other two county funds and would not help anything.

This amendment failed on a 3 to 5 vote.

Amendment 9 **EXHIBIT(1fh53a10)** did the same thing as the first amendment did, except it continues without the growth rate and removes the termination date for the school block grant.

Madalyn Quinlan said this made sure the money was there for the school, retirement and transportation budgets.

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Rep. Esp wanted to know what the amendment did.

Rep. Mangan moved the amendment and explained that there were numbers that HB 124 did not currently reflect. This amendment would put the numbers into practice and shows what the number would be for fiscal year 2005.

Rep. Story said they would need the appropriation number for fiscal years 2004 and 2005 that equals the chart, rather than equaling what the chart has down for the fiscal years 2002 and 2003.

Chuck Swysgood, Director of the Governor's Budget Office said they would have to go to the 2003 distribution and the county retirement would just continue to carry that on out. He did not think this amendment was acceptable.

Tom Bilideau MEAFFT said the purpose of this amendment was to hold the block grants level. Without this they would be back in

the next legislation to come up with a new school funding program.

Rep. Story asked if the intention of the Governor's Budget Office was to fund the projections an a declining level. **Chuck Swysgood** said yes.

Rep. Mangan withdrew amendment 9.

Amendment 10 **EXHIBIT(1fh53a11)** gets rid of the sunset by establising the base budget for the next session.

Rep. Mangan moved the amendment. He added a new section that removes the termination of the block grant.

Chuck Swysgood said they would look into this further to see how it would work.

The amendment was adopted unanimously.

Amendment 11 **EXHIBIT(1fh53a12)** was the new growth factor for the entitlement share.

Rep. Story moved the amendment.

Rep. Peterson wondered if this was what John Laughton had described.

Alec Hanson said 54% was in the amendment and the cities reserve the right to say what it should be next.

Mayor Kadas agreed with Alec Hanson. They were willing to work with this bill, even though they were going down.

Chuck Swysgood said he realized they were going down, but he was trying to make it so they would not have to go down as hard.

The amendment was adopted 6 to 1.

Amendment 12 **EXHIBIT(1fh53a13)** takes the revenue generated by the growth factor and distributes half of it according to the base and the other half by the growth of the population.

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Greg Petesch said the latest census was the base and change would be based on the annual adjustment by commerce.

Rep. Peterson wondered if that was the money that Mayor Kadas had talked about being distributed by population only.

Rep. Story said it was. He wondered how much money was in the growth formula in dollars.

Judy Paynter said in fiscal years 2002 and 2003 there was \$1,050,000 in the county and \$1,350,000 in the cities.

Rep. Peterson wondered what the formula was in the current bill.

Judy Paynter told him it was distributed on the basis of inflation and the leftovers would be distributed based on the population.

Rep. Waitschies said he liked the bill the way it was currently.

The amendment passed 6 to 1.

Amendment 13 **EXHIBIT(1fh53a14)** says if any of the sources of revenue that is included in the entitlement share, except for reimbursement for lost property tax, were reduced through something other than the legislation, the department would calculate the revenue loss, deduct from the entitlement share starting in the next fiscal year and work with legislation to adjust to show the lost revenue.

Rep. Story moved the amendment.

Rep. Waitshies wondered if the reduction was counted the same as the increase was.

Greg Petesch said it would have to be prorated.

Mayor Kadas said he did not like the idea of giving up revenue sources to get back some money and the growth rate. He thought it was a good bill, but hoped nothing else changed.

Rep. Mangan wondered where they got the 97%.

Chuck Swysgood said they took the growth factor and reversed it for the loss of revenue. He used the example of \$100, saying they would lose \$3 of that, which was a small amount. He saw that the state was giving assurance of a revenue stream, a simplification of the process and a growth factor.

Rep. Peterson asked what the total amount of the revenue was.

Chuck Swysgood said the 97% was applied against the total revenue and was distributed back to the counties.

Greg Petesch said it was a 97% reduction from the base amount. If the base amount declined, this number would actually grow.

Rep. Peterson wondered how HB 124 would be effected if this amendment was not adopted.

Rep. Story said there was no effect on the bill itself and how it would operate, but rather on whether or not they had the cooperation of the Governor's Budget Office.

Rep. Wanzenried wanted to know how far they were willing to go as the 97% was not set in stone. He wondered what leeway they had planned.

Chuck Swysgood said they would have to look at eh base amount to calculate what was needed.

Rep. Wanzenried moved that the 97% be changed to 90%.

Rep. Esp wanted it to be left at 97% so they could move forward and see how it worked.

Rep. Peterson agreed with Rep. Esp.

That motion died on a tie vote.

The motion was then moved to make it be 95%.

The amendment was adopted on a 6 to 1 vote.

They decided the bill was ready to be made into a grey bill that would reflect all the changes.

The motion to recommend HB 124 to the Local Government committee was adopted on a 7 to 1 vote.

ADJOURNMENT

Adjournment: 8:35 P.M.

REP. BOB STORY, Chairman

JENNI STOCKMAN, Secretary

BS/JS

ADJOURNMENT

Adjournment: 8:35 P.M.

REP. BOB STORY, Chairman

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BS/JS

EXHIBIT (lfh53aad)